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DIRECTOR OF CENTRAL INTELLIGENCE
REPORT ON
THE INTELLIGENCE COMMUNITY
CALENDAR YEAR 1978

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Director of Central Intelligence

Prepared by the Resource Management Staff
with the Assistance of the Intelligence Community
for the Director of Central Intelligence

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THE YEAR 1978 IN RETROSPECT

IMPLEMENTATION OF THE NEW EXECUTIVE ORDER

In 1978, organizational change began to have an impact for improvement in the United States Intelligence Community. After almost a year of study and debate, on 24 January 1978, the President issued Executive Order 12036. This new Order governed the organization and conduct of intelligence. Six aspects of this Order deserve particular attention because of the effect they have already had on the process of intelligence in our country. (U)

1. Priorities

The cornerstone of a good intelligence operation is that it satisfies consumers' needs, both by meeting the needs which they have today and by preparing to meet those needs which will most likely arise tomorrow. By various means and with varying degrees of success over the years, the American Intelligence Community has solicited its consumers' assessment of their needs. But, more often than not, the Intelligence Community itself set its own priorities. (U)

The new Executive Order established a committee of the National Security Council, the Policy Review Committee on Intelligence (PRC [I]), composed of the Vice President, the Secretary of State, the Secretary of the Treasury, the Secretary of Defense, the Assistant to the President for National Security Affairs, the Chairman of the Joint Chiefs of Staff, and chaired by the Director of Central Intelligence (DCI). In August, the PRC (I) produced two lists of National Intelligence Topics (NITs). One listed 58 specific points of emphasis in seven key geographic areas which the committee members believed would be important to them in the next six to nine months. A second list of 43 specific topics in seven general areas is considered of longer term concern. These two lists replaced a previous priority listing known as Key Intelligence Questions but have greater import because the intelligence users participated in their formulation and because they provide more detailed, specific guidance to both the producers and the collectors of intelligence. (U)

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The producers of intelligence, led by the Director of the National Foreign Assessment Center (NFAC), have taken each NIT and analyzed the work being done and needed to be done to satisfy that topic. While heavily burdened with more tasks than they can normally accomplish effectively, including departmental requirements, producers throughout the Intelligence Community have accepted a share of this additional effort. Frankly, despite this, there is still difficulty in obtaining the necessary redirection of effort to ensure satisfaction of the National Intelligence Topic requirements. At the same time, this initial adjustment has created a greater perturbation to the system than will subsequent iterations. (U)

On the collection side of intelligence, the Collection Tasking Staff is utilizing the NITs to adjust the Community's collection priorities, including adjustment of the Director of Central Intelligence Directive 1/2 (DCID 1/2)—an Intelligence Community validated matrix of priorities by topics and countries—to follow the NITs and their PRC (I) assigned priorities. (U)

In sum, the process of involving the top consumers in the establishment of priorities is off to a good start. Updatings are called for every four months. The first one in December was, frankly, not very successful but it was both a new process and a particularly busy season for intelligence in substantive international developments and in program and budget development. Our challenge will be to ensure that the same high-level attention given to the NITs last August persists in the future, so that the topics do represent the consumers' needs and not Intelligence Community beliefs of what those needs are. (U)

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2. Budget Preparation

A second major provision of the new Executive Order is that the DCI "... shall, to the extent consistent with applicable law, have full and exclusive authority for approval of the National Foreign Intelligence Program budget submitted to the President." Previously, the DCI had chaired a committee that established the National Foreign Intelligence Program budget by consensus trading. The new arrangement, in its first full year of operation, already made it easier to define the national intelligence goals which should drive the budget and made it possible to establish priorities among budget items. This has permitted the use of judgment as to overall Community needs when integrating the submissions of the several program managers rather than simply interleaving them on an equal basis. The new process also makes it easier to surface objective, analytical comparisons between competing or overlapping programs as a check that my judgment of budget priorities is not skewed from that which would best serve the country. The PRC (I) on three occasions during this past year reviewed the budget as it was being prepared and after its submission to the President. The PRC (I) is free to make separate recommendations to the President if members do not concur in the budget's structure. In this instance, the PRC (I) did not dissent from the budget as submitted. However, its advice in the preparatory sessions was of great value. Overall, this first experience with the new budget preparation process went very well. (U)

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3. Intelligence Collection

A third highlight of the new Executive Order is its establishment of a National Intelligence Tasking Center (NITC) under the DCI to coordinate and task all national foreign intelligence collection activities. The profusion of new, and in many cases, esoteric technical means of collecting intelligence over the last decade demands that we apply the best mix of collection techniques to each problem, that we not waste capability through unnecessary duplication of effort, and that we not inadvertently miss important collection opportunities because one collection system assumes that another is doing it. Because the operational control of technical and human intelligence collection systems is spread across almost a dozen different agencies and organizations, there is a real need for a focal point of coordination. In the past, this has existed only in the DCI collection committees on signals, human and imagery intelligence. Each of these did a fine job of coordinating the assets within its own discipline, but by the same token was limited to that discipline. NITC's task is to maximize return while minimizing cost and risk through the best application of systems from all three disciplines. It is not NITC's task to determine how individual collection systems shall be employed, but rather to determine which ones are best for any given intelligence topic. (U)

By the close of the Congressional session in October, the Congress had authorized the establishment of a Deputy Director for Collection Tasking who would be responsible for the three collection committees as well as NITC coordination of them. This action divided the Intelligence Community Staff into two segments: a Deputy for Resource Management who supports the DCI's responsibility for preparation of the national intelligence program and budget, and a Deputy for Collection Tasking who manages the NITC. It is far too early to judge the success of the NITC concept, but it appears to be off to a good start and filling an important void. (U)

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4. Production of Intelligence

The new Executive Order charges the DCI with the responsibility for the production and dissemination of national foreign intelligence, cautioning him to "... ensure that diverse points of view are considered fully and that differences of judgment within the Intelligence Community are brought to the attention of national policymakers." Importantly, the Executive Order clearly leaves the analytical components of the Defense Department, the State Department, the Treasury Department and the CIA independent, competitive and intact, and ensures that when they have different viewpoints, those viewpoints shall not be stifled. We have attempted to reaffirm this latter point in several ways. (U)

The National Foreign Intelligence Board, on which all of the principal agencies of the Intelligence Community are represented, reviews and discusses every major national intelligence estimate. On such occasions, members of the Board have an opportunity and a clear responsibility to ensure that the DCI is aware of any divergent views which they may believe are not adequately represented in the text of the estimate. I have also directed that dissenting views, which were formerly elaborated in footnotes, regularly be moved up and integrated into the text itself. I strongly believe that when a differing opinion is well founded on valid analysis and logic, it should be placed directly in juxtaposition with the major opinion. Thus the reader can understand the difference and have a basis for exercising his own judgment. Beyond this, the Director of the National Foreign Assessment Center has created a distinguished Review Panel composed of three senior and independent professionals from the fields of diplomacy, the military, and economics. This Panel is charged with reviewing the Intelligence Community product in process and upon completion. To protect their objectivity, they are proscribed from participating in the process of developing the estimates. They make suggestions to the Director of the National Foreign Assessment Center and myself regarding the substance and quality of estimates. (U)

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5. Counterintelligence

The Executive Order provides that another committee of the National Security Council, the Special Coordination Committee, chaired by the Assistant to the President for National Security Affairs, and composed of the Secretary of State, Secretary of Defense, the Attorney General, the Director of the Office of Management and Budget, the Chairman of the Joint Chiefs of Staff, the Director of Central Intelligence, and the Director of the Federal Bureau of Investigation, "... shall develop policy with respect to the conduct of counterintelligence activities," resolve interagency differences, monitor counterintelligence activities, and provide the President with an overall annual assessment of them. The activities of this committee, the SCC (CI), have already generated renewed attention to a previously somewhat neglected counterintelligence function. Beyond that, I am pleased to report that the necessary linkage between FBI and CIA has been further enhanced, and that there is greatly increased consultation between the Agencies. Specific new coordinating mechanisms have been established among intelligence agencies with counterintelligence responsibilities, and the exchange of counterintelligence data has been greatly expanded. In sum, the counterintelligence function is receiving much needed additional attention today. (U)

6. Restrictions

One whole section of the new Executive Order established restrictions on various intelligence activities, particularly those which affect the rights of American citizens. These restrictions are an extension and clarification of those enumerated in the previous Executive Order (E.O. 11905, 15 February 1976). They and the entire Executive Order were developed in close consultation with the Senate Select Committee on Intelligence (the corresponding committee of the House not having been in being during most of the formative period), thus establishing a new degree of cooperation in intelligence between the Executive and Legislative branches of our government. (U)

The same cooperation has been extended in the opposite direction throughout 1978 as the Senate Select Committee on Intelligence developed and held hearings on legislative charters for the Intelligence Community. We are hopeful that this will enable us to have charters reflecting a balance between the need for statutory guidelines and sufficient flexibility to fulfill proper intelligence missions. (U)

RELATIONS WITH THE CONGRESS, THE EXECUTIVE AND THE PUBLIC

In 1978, the relationships between the Intelligence Community and the Congress, the agencies and departments of the Executive Branch, and the public have evolved significantly. (U)

The Congress

1978 was the second full year of oversight by the Senate Select Committee and the first full year by the House Permanent Select Committee. During the year, many new procedures have been worked out and constructive relationships established. In both the Senate and the House, first authorization bills for intelligence have been acted on. In the process of reviewing and approving our budget, both Committees, as well as the Appropriations Committees, have also made substantial contributions. For example, Committee questions about a proposed new technical collection system and requirement for specific follow-on reports as to its capabilities and alternatives led to a major restructuring of that program with large potential savings. Also, with some encouragement of the Select Committees, the Appropriations Conference Committee of the Congress agreed to additional funding in Fiscal Year (FY) 1979 for the purpose of improving our capability to monitor a SALT II agreement. This has led to a very constructive reordering of both our FY 1979 and 1980 programs. Looking beyond the budget, the two Select Committees supported changes in several pieces of legislation being considered by other Congressional committees to assure the continued effectiveness of various Intelligence Community activities. Landmark intelligence surveillance legislation was enacted through strong Administration and Congressional support. (U)

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As an example of an area where such support is most helpful, my FY 1980 budget submission contained, as an integral provision, proposed legislative relief from the Freedom of Information Act (FOIA) for intelligence information that is collected clandestinely and is in a raw unevaluated form. The amount of information of this type which is releasable to the public is extremely small in comparison both to the tremendous number of man-hours required to review it and to the actual quantity of information which must be reviewed pursuant to the terms of the FOIA as currently drafted. Furthermore, an expanded exemption would clearly demonstrate to those individuals and agencies abroad with which the Community deals that their information will not be released in any form, a condition without which the information would simply not be provided to us. We are hopeful of obtaining such relief. (U)

The relationship between the Community and the two Select Committees is still fundamentally one of oversight of course. In 1978, I appeared before the two Committees a total of 11 times on other than budgetary matters. Other Community representatives testified at approximately 20 other hearings. I received 81 letters from the two Committees requesting written explanations of actual or alleged intelligence activities. Subcommittees investigated and reported on 12 activities. And, staff members conducted approximately 47 investigations of various aspects of intelligence. The benefits of this oversight process more than counterbalanced the cost of the effort required. Accountability is an essential element of the effective execution of delicate responsibilities such as are entrusted to us. The added external accountability of reporting to the Congress keeps us particularly on our toes. (U)

The Executive Branch

This past year we made a number of efforts to provide more complete service to those Cabinet Officers such as Commerce, Treasury and Energy who are not as fully involved in intelligence matters as are Defense and State. (U)

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I can report better coordination and teamwork than ever before with the State Department in good measure as a result of an agreement regulating the relationships between Ambassadors and CIA Chiefs of Station which Secretary Vance and I signed in mid-1977. That agreement provides for the CIA Station to be more completely integrated into the country team under the direction of the Ambassador. It is working well. (U)

The Public

A policy of greater openness with the American public is paying dividends in terms of a better public understanding of what the Intelligence Community does and, as a consequence, a deserved confidence in intelligence activities. This is manifested in a number of ways. One is the more frequent publication of analyses and estimates which can be declassified. Another is more forthright responses to media inquiries. A third is a more open and active dialogue with American academic specialists, including active cooperation in drafting guidelines for academic-intelligence relationships with a number of universities; a dialogue with university presidents who visit with us to exchange views; speaking on more than a dozen American campuses to date; and increased participation in symposia, conferences and other academic meetings, including the presentation of professional papers by our personnel. (U)

We have also worked to strengthen our traditionally good relationship with the American business community. In particular, we have sought ways to determine which of our analyses, estimates and handbooks, if declassified, would be of greatest interest and value to the American business community. (U)

SUCCESSSES AND DISAPPOINTMENTS IN 1978

Estimating

While raw intelligence we collect can sometimes be of direct value to consumers, the estimate, warning notice, or other significant analysis is fundamentally the end product upon which our efforts should be judged. We have made several important steps forward in the techniques and presentation of analysis in this past year. We have adopted a new method of presenting our estimate of the complex balance of strategic forces between ourselves and the Soviet Union. Counting and comparing missiles, warheads, throw weight, etc., has never been a very satisfactory technique for conveying the real nature of the strategic balance. We have instead translated those and other characteristics into subscripts of theoretical destructive capability in different circumstances. From this, both the comparative quantity and the quality of the forces emerge more clearly to the reader. (U)

In another estimate, that on Soviet intentions, we took still another new approach. This subject is so nebulous that it is impossible to develop any useful simplified subscript. Instead, we asked a small group to write a relatively short discursive essay. We then permitted critique of the essay only in matters of major substantive judgment, not on less central issues, or on form and wording. The result was a thought-provoking piece which was used and appreciated at high levels in the Executive Branch and which brought out the key issues affecting Soviet global intentions, including the key areas where viewpoints diverged. (U)

In economic analysis, we have refined how we communicate evidential and analytical uncertainties underlying important judgments about energy supply and demand projections. Our energy projections have led the field and are becoming increasingly recognized for their high validity. (U)

Teamwork

The provisions of the new Executive Order have effectively fostered a greater sense of Community outlook. We have tried to further heighten the sense of, and opportunity for, Community teamwork through such initiatives as a weekly conference phone call and a monthly breakfast with all program managers, and we have had one very useful weekend retreat to discuss Community matters. (U)

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There are three areas where we would like to have done better this past year. (U)

Security

There were far too many leaks of sensitive intelligence information. Some of these were caused by former intelligence officers, some by unknown persons. There was one grave case of espionage by a man named Kampiles. (U)

Our efforts to tighten security both before and after the Kampiles incident have been considerable but clearly not nearly successful enough. CIA has taken a look at its career management program from the standpoint of its security implications; reemphasized security indoctrination and reinvestigations; instituted surprise and later blanket inspection of packages and briefcases leaving CIA buildings; and imposed more thorough document accountability and handling procedures. (U)

The Attorney General has been extremely cooperative. The Department of Justice's civil suit against Frank Snepp for violation of his Secrecy Agreement should help considerably in discouraging former employees from writing for publication without Agency security review. Still, the loss of highly sensitive information about our human sources and our technical methods of collecting intelligence remains the single greatest threat to intelligence activities. We need to tighten security within the Community more. We also need some form of legislative assistance (more on this below). (U)

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Predicting Political Upheavals

In November, a spate of media stories exaggerated reports of an intelligence failure in connection with Iran. Clearly, we would like to have done better in supporting our policymakers with respect to Iran. But, in Iran as elsewhere, the probability of predicting when dormant internal political forces will coalesce and cause an explosion will never be high. We could and should have emphasized the dissident strains inside Iran for many months before the November 5th outbreak. We were aware of these strains, but in hindsight we did not highlight them enough. Then too, there is always the problem of deciding whether to risk being an alarmist on the one hand or a tardy reporter of bad news on the other. Without making excuses, I would point out that this example also typifies the problem of collecting sensitive intelligence in friendly countries. Collecting intelligence on opposition movements can easily be misinterpreted. We could have done better and shall. (U)

Support to Congress

While we have emphasized extending our support to as many of the Cabinet Officers as possible, our parallel efforts to reach more committees of the Congress have not borne as much fruit as we had hoped. Nearly every committee in the Congress involves itself in some aspect of international relations. There must be a greater need for information on international trends and events by committees other than our regular consumers in foreign affairs and armed services than we are now fulfilling. Our efforts to bridge the gap and determine where our product can be used have uncovered some new needs but have probably just scratched the surface. (U)

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THE PROSPECT FORWARD

A number of clearly discernible trends will drive the course of American intelligence in the years ahead. The most obvious of these is the increasing sophistication of our technical means of collecting information. Our technical collection capabilities are excellent and will continue to keep pace with their target environments. This has generated a severe crisis of resources which we are doing best to minimize through careful cost/capability trade-offs.

(U)

The prospective conclusion of a SALT II agreement or any of the other six arms control agreements we are negotiating with the Soviet Union will present important new challenges. Some agreement provisions will be difficult to verify. Others will require prodigious amounts of collection and ingenuity in cracking the especially difficult level-of-confidence problems. Sophisticated planning in balancing treaty verification requirements and other intelligence needs will be essential. (U)

One area in which our national technical systems potentially have much broader application than we have developed today is in support to our military tactical commanders. We have done some important work in testing the ability of these systems to support military combat operations. Yet we have barely begun to explore the possibilities. Our ability to fill the needs of military commanders with national systems whenever possible is very important. This requires us to develop the proper balance between the national and tactical capabilities, ensuring that we are neither under-utilizing national systems nor duplicating them unnecessarily with tactical systems. (C)

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On top of this continuing expansion of technical collection requirements and capabilities, I anticipate that in the years just ahead there will be a widening need for good human intelligence. Human intelligence specializes in human intentions. When we can uncover the intentions of the Soviet Union, we have really made a major step forward. But, because we are increasingly dependent on and involved with many noncommunist countries, the requirement for good human intelligence on areas and problems outside the Soviet orbit will increase as well. Here the prospects are better for obtaining what we need, but the risks can be high. We do not like to have our intelligence activities uncovered by the communist nations. Such exposures represent serious losses. But the US Government is more embarrassed if intelligence activity is uncovered in a friendly nation. Hence, human intelligence today requires better tradecraft. Tradecraft is the set of techniques used in carrying out our human intelligence collection activities. Good tradecraft is costly in time and effort, but there is no alternative if we are to be effective. (U)

The quantitative flow of intelligence, both technical and human, is steeply increasing. This burgeoning volume of information provides us its own severe challenges. We must rely more on data processing to sift and collate raw data. We must also rely on data processing to help us manipulate and analyze that data. Our fledgling efforts to rationalize and ensure compatibility of Intelligence Community-wide data processing systems will have to be accelerated. (U)

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The ultimate value of intelligence is achieved only through first-class analysis of raw data. One of the challenges of the years just ahead is to attract, develop and retain an adequate base of analytic expertise. I am worried that today our nation's educational foundation in many of the areas important to intelligence is withering. Fewer individuals possess both a foreign language capability and a specific discipline like area expertise, economics, chemistry, cartography, etc. Many such dual requirements are unique in the intelligence field. There is serious doubt as to whether the American academic community can supply our needs. (U)

Beyond this, we face challenges in continuing to find young people who are willing to serve overseas. The increasing incidence of working married partners inhibits the usual eagerness of young people for overseas assignments. We also find that while recruiting for the human intelligence area in general is quite satisfactory, the willingness to undertake the restrictions of a long-term clandestine life overseas is not as prevalent as it has been and as is necessary. Overall, the attraction and retention of top quality people must be one of our top priorities. (U)

Finally, the year immediately ahead is important with respect to the restrictions on intelligence activities. It will soon have been three years from the end of the Church Committee's investigations. In this period, much thought and attention has gone into how to reconcile the freedoms of a democratic society with the secrecy which is necessary and inherent in intelligence activities. This dilemma has been aired adequately to permit us to legislate the authorities and the limitations on intelligence operations that are appropriate. In my view, the country is in a judicious mood. We are highly conscious of the desirability of avoiding future abuses, yet most thinking Americans recognize the need to have an effective intelligence capability. We need a balance of fully authorized intelligence activities on the one hand, and prohibited or closely controlled activities on the other. Our carefully developed oversight process is intended to assure that both prohibitions and controls are being followed as intended. The time is ripe for a renewal and updating of the legislative charter. The window of opportunity may be narrow. We must move expeditiously. (U)

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